

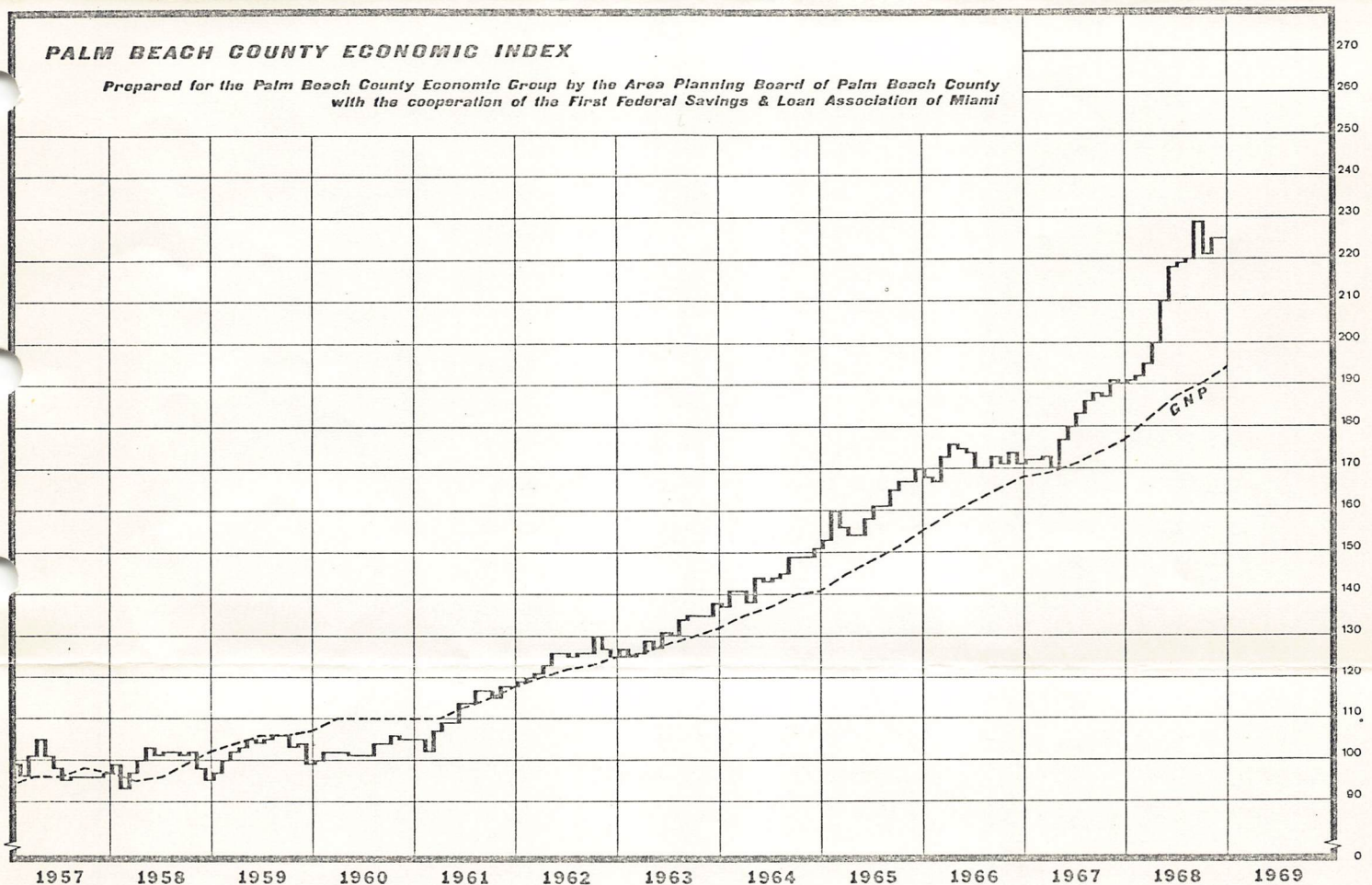
# apb FORUM

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## ECONOMIC INDEX COMPILED FOR PALM BEACH COUNTY



An economic index has been developed for Palm Beach County in order to provide a current indicator of the local economy. The local index employs the same base period 1957-1959 as is used in compiling the national indexes, so comparison to these statistics is possible. As an example, the Gross National Product, perhaps the most commonly accepted measure of economic strength, is shown in index form with the local data. It is also possible to make comparisons of the Palm Beach County index to those prepared by First Federal Savings and Loan Association of Miami for Dade and Broward counties, inasmuch as the three indexes are nearly identical in their composition and construction.

It is planned that the index will be published monthly in order to keep interested persons as closely informed as possible. Since there is a

time lag in collecting the data which composes the index, publication will normally fall one month behind; for example, the January figures will not be compiled until the end of February. Each time the index is published, there will be some text accompanying it describing the change that has occurred and identifying the factors which were responsible for the change.

It is hoped that this index will provide a valuable guide to the local business man and to the businesses outside the area which are looking at Palm Beach County as a possible site for expansion or relocation. In order to increase its value in these respects, the remainder of this issue is devoted to the background, construction, and analysis of the index.



## THE PALM BEACH COUNTY ECONOMIC SOCIETY

The index shown in the newsletter represents the first published information to be released by the Palm Beach County Economic Society. This group has been meeting quarterly for the past two years to discuss current economic and development situations which Palm Beach County is experiencing. Membership in the group includes representatives of government, utilities, education, finance, news media, and the Area Planning Board.

The Economic Society was started by Leo Schmidt, District Forecast Supervisor for Southern Bell Telephone Company, when he recognized a need to have some means of assembling the facts and opinions on county development. An individual has a good knowledge of the state of affairs within his own business, but no one person is able to easily accumulate all the important information which is available from other sources and which often affects his business. By forming a group composed of individuals with diverse interests, it is possible through discussion to form a more complete picture of the economic situation in the county. The opinions that are formed from the facts presented during meetings can then be applied by each of the members in making more concrete business decisions.

Within the past year the group felt it would be helpful to make the information which they had been gathering available to the public and specifically to the business community. It was decided that some type of index would be the most convenient form of summarization.

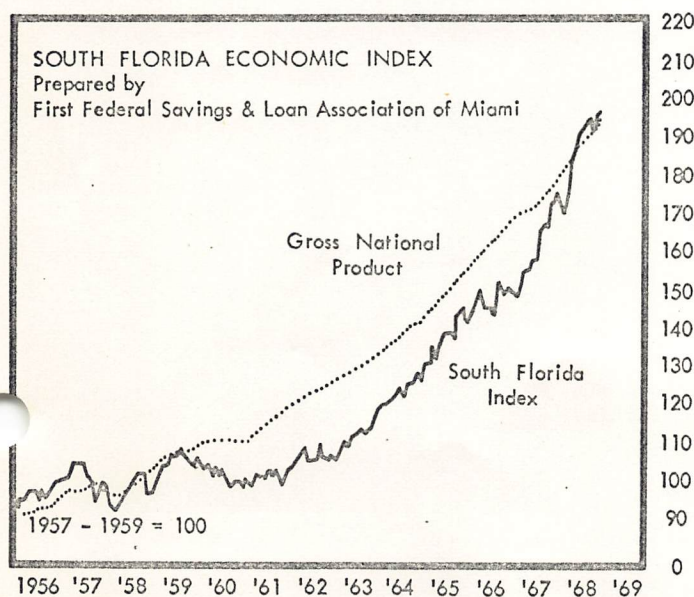
The group was aware that an economic index was currently in existence for Dade and Broward counties, so the initial effort was to assemble the local index along the same general lines, thus creating compatible indexes for all three major southeast Florida counties.

Since the Dade and Broward indexes are compiled by First Federal Savings and Loan Association of Miami, contacts were made with that organization to discuss the construction of an index. A first meeting in December 1967, was followed by numerous meetings, phone calls and letters throughout the year of 1968, until, finally in December, 1968, a completed index for Palm Beach County was formulated.

The cooperation of First Federal of Miami, and especially of their economist, Mr. Raymond D. La Combe, deserves mention of appreciation by members of the local economic group. Mr. La Combe provided invaluable technical assistance throughout the project, and the Association allowed their computers to be used for the complex deseasonalization program which was applied to the local data.

## THE INDEX — WHAT IT MEANS

Prior to the publication of this newsletter, the index was shown to and discussed with a number of individuals. The comments that were made



indicated that it would be worthwhile to devote some space in this issue to the interpretation of the economic index.

Like any other index, the Palm Beach County Index provides a series of numbers which are related to a base period, in this case 1957-1959. The base period statistics are given the value of 100, and each successive statistic is expressed in terms of the base. For example, the average monthly number of building permits for residential units issued during 1957-1959 was 471; this then was assigned the value of 100. If the permit data for the current month were 500 units, then the index for the period would be 500 divided by 471 = 106. This means permits had increased 6% over what they were in the base period.

Just as it would be impossible to determine the current weather by reading only a thermometer, it would be likewise inaccurate to understand completely the economic climate of Palm Beach County by referring only to an index number. It happens that the local index is a convenient indicator, since it is composed of easily accessible statistics which reflect the overall economic situation, and when viewed as measure of the total economy, the index will prove quite reasonable.

In specific situations, however, it is necessary to consider more than this single number. The graph on the opposite page shows the index plotted with indexes of bank debits, non-agricultural employment and number of residential units authorized for construction by the issuance of building permits. Business associated with construction would find that their progress over the past twelve years would be more closely associated with the building permit index than with the composite index. The same would be true in other areas of business where the volume of business is not directly related to the overall economic situation. Even in these situations, however, the long-run trend of the county index will be useful and important to future business planning.

## INDEX BY-PRODUCTS

The process of constructing an economic index for Palm Beach County has provided some very useful statistics other than the final index number itself.

Perhaps the most important figures are those collected by month for all months since January 1957, for each of the nine series in the index. Prior to this project there was no single source of this information; in fact for some series, such as building permits, there was no complete monthly data from any source.

The deseasonalization program also provides valuable statistics: the monthly seasonal adjustment factors for each data series. These figures would be extremely useful to anyone attempting to analyze the seasonal variation in a series since they not only provide the current seasonality factors, but also indicate changes in seasonal patterns, the magnitude of the change, and a one year forecast of factors.

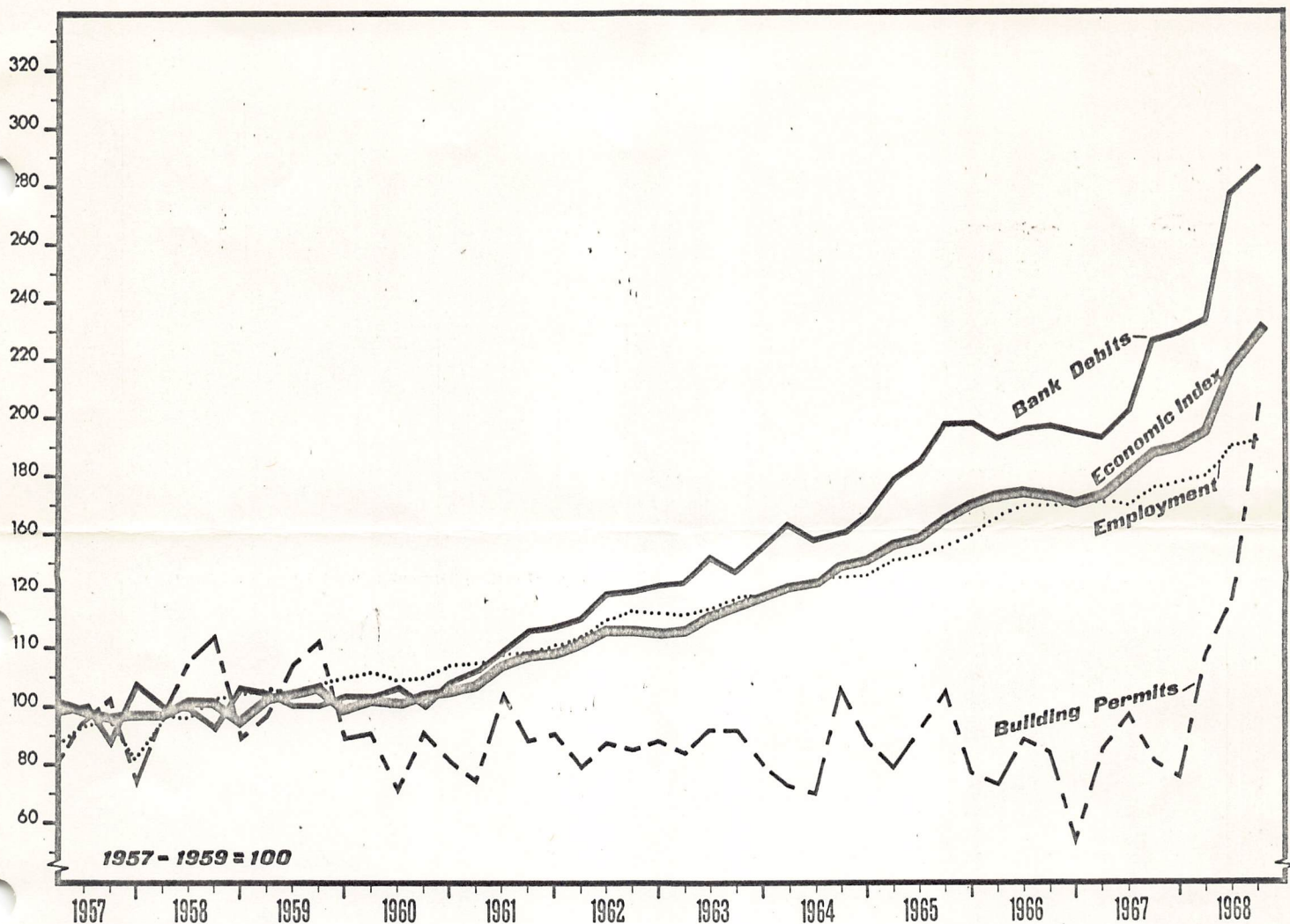
In addition to these more important statistics, there are also other figures available including monthly indexes for each series used in the composite index. All of this information is available for use in the Area Planning Board offices at 810 Datura St.

## SOUTH FLORIDA INDEX

Economists at First Federal Savings and Loan Association of Miami have compiled an index of the South Florida economy by combining the individual Dade, Broward, and Palm Beach County indexes. The index reveals that the three counties are exceeding the national growth as reflected by the GNP; during 1968 the South Florida Index increased by 14.5 percent, while the GNP increased 9.6 percent.

The addition of the South Florida Index to the existing individual indexes for the three counties provides an additional measure of comparison for each of these indicators. The South Florida Index will also provide a more stable local reference to the G. N. P. since it is compiled on a larger base. For those interested in this particular index series, they will find future index numbers in the Miami Herald monthly.





## INDEX CONSTRUCTION

The Palm Beach County Index is composed of nine series of data: bank debits, gross sales, gasoline sales, building permits, employment in nonagricultural establishments, unemployment, residential electric customers, commercial sale of electricity, and passenger arrivals at Palm Beach International Airport. A tenth factor, number of real property mortgages filed, is included in the Dade and Broward indexes, but excluded from the Palm Beach County index since the data is unavailable in this county.

Monthly data for each of the nine series was gathered for the years 1957 through the most current month. All series were then run through the deseasonalization program where seasonal adjustment factors were generated. The raw data was then deseasonalized, reduced to an index on a 1957-1959 base, and adjusted for dispersion. The dispersion adjustment was made by applying the coefficient of variation to the index number; this process served to reduce the index series to more comparable degrees of spread. For example, gasoline sales figures have relatively little deviation from their mean, whereas building permits deviate fairly radically from their mean, consequently a dispersion adjustment to each series helps to prevent an erratic series from over-influencing the composite index.

The dispersion adjusted index was then weighted by degree of importance ranging from bank debits which were assigned the greatest weight, to commercial sale of electricity which has the lowest weight. The weighted indexes for each of the series were then totalled and divided by the sum of the weights. The final Index number was then formed by calculating a 1957-1959 base on the composite number, setting the number equal to 100 and dividing through each monthly number by the base.

## 1968

During the past year the Palm Beach County Economic Index has risen 18% or an increase of 34 index points from the December 1967 index of 190 to the December 1968 figure of 224. This gain represents an unprecedented growth record for any year within the time period covered by the index.

The leading series in achieving this gain was the number of new residential dwelling units authorized for construction. Permits for 9,413 units were issued in 1968 as compared with 4,804 units in 1967; this represents an increase of 96% in a one year period. The building boom was also a dominant factor in the counties south of us: Dade added approximately 22,000 new dwelling units during the year up 47% from 1967, and Broward recorded 23,500 new units.

Six of the other series in the Palm Beach indicator also showed substantial gains on a December to December basis: bank debits up 19%, gross sales up 20%, non-agricultural employment up 7%, residential electric customers up 5%, and gasoline sales up 6%. Passenger arrivals at Palm Beach International Airport showed an exceptional gain of 34%. Commercial sale of electricity, which had been increasing steadily during the year, dropped considerably in December 1968, down 6% from December a year ago.

The considerable increase in economic activity which Palm Beach experienced during the past year will probably not be repeated in the next year. Although the local economy operates on a small scale when compared to the United States as a whole, the effects of national fiscal policy are eventually in evidence here. The consensus of opinion on national economics indicate policies will be made to limit economic expansion in the next year, consequently, Palm Beach County's rate of economic growth will probably decline in 1969, as compared to 1968. The economic index, now at 224 for December 1968, will probably reach 245-250 by December 1969.